

CITIZENS & NORTHERN BANK

P.O. Box 58
Wellsboro, Pa. 16901

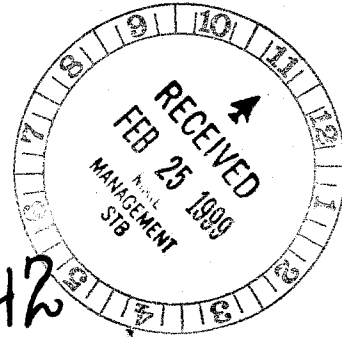
717-724-3411
Fax: 717-724-5391

FEBRUARY 22, 1999

INTERSTATE COMMERCE COMMISSION
OFFICE OF THE SECRETARY
12TH AND CONSTITUTION AVENUE NW
ROOM 2303
WASHINGTON, DC 20423

RECORDATION NO.

22042
FILED



FEB 25 '99

11-05AM

ATTENTION:MILDRED LEE

DEAR MS LEE:

ENCLOSED IS THE ORIGINAL SECURITY AGREEMENT WHEREBY TIOGA CENTRAL RAILROAD, INC. HAS PLEDGED AS COLLATERAL TO A LOAN FROM CITIZENS & NORTHERN BANK, ALL OF ITS ROLLING STOCK IN RAILROAD CARS AND EQUIPMENT, ALONG WITH A NOTARIZED STATEMENT ATTESTING TO ITS AUTHENTICITY. THE FOLLOWING IS THE EXACT NAME AND ADDRESS OF BOTH PARTIES:

CREDITOR: CITIZENS & NORTHERN BANK
PO BOX 58
90-92 MAIN STREET
WELLSBORO PA 16901

DEBTOR: TIOGA CENTRAL RAILROAD, INC.
RR 4 BOX 4240
OWEGO NY 13820

ALSO ENCLOSED IS A CASHIERS CHECK IN THE AMOUNT OF \$18.00 TO RECORD THIS SECURITY AGREEMENT.

PLEASE RETURN THE SECURITY AGREEMENT IN THE ENCLOSED ENVELOPE. ANY QUESTIONS IN THIS MATTER SHOULD BE ADDRESSED TO THE UNDERSIGNED AT 717-724-3411.

SINCERELY,



RICHARD L WILKINSON
VICE PRESIDENT

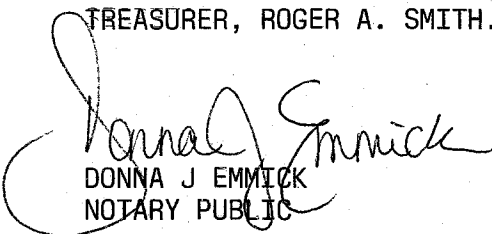
FEBRUARY 22, 1999

INTERSTATE COMMERCE COMMISSION
OFFICE OF THE SECRETARY
12TH AND CONSTITUTION AVENUE NW
ROOM 2303
WASHINGTON, DC 20423

ATTN: MILDRED LEE

DEAR MS. LEE:

I HEREBY CERTIFY THAT THE ATTACHED SECURITY AGREEMENT, WHEREBY TIoga CENTRAL RAILROAD, INC. PLEDGES ITS INVENTORY OF RAILROAD EQUIPMENT TO CITIZENS & NORTHERN BANK, IS THE ORIGINAL DOCUMENT AS SIGNED BY ITS PRESIDENT, RICHARD L. STOVING AND TREASURER, ROGER A. SMITH.


DONNA J. EMMICK
NOTARY PUBLIC

Notarial Seal
Donna J. Emmick, Notary Public
Wellsboro Boro, Tioga County
My Commission Expires April 17, 2000

Member, Pennsylvania Association of Notaries



P.O. Box 58
Wellsboro, Pa. 16901

717-724-3411
Fax: 717-724-5391

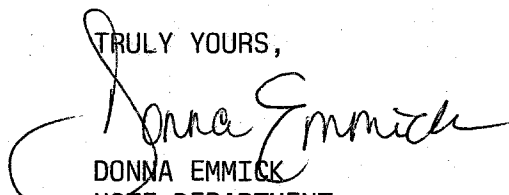
MARCH 1, 1999

SURFACE TRANSPORTATION BOARD
1925 K ST. NW
WASHINGTON DC 20243

ATTN: TALEDIA STOKES

ENCLOSED IS THE CHECK FOR \$ 8.00 FOR THE FEE ON TIOGA CENTRAL RAILROAD,
INC. WE ARE SORRY FOR ANY INCONVENIENCE THIS MAY HAVE CAUSED.
THANKS AGAIN.

TRULY YOURS,


DONNA EMMICK
NOTE DEPARTMENT
WELLSBORO PA 16901
(717) 724-0236

Surface Transportation Board
Washington, D.C. 20423-0001

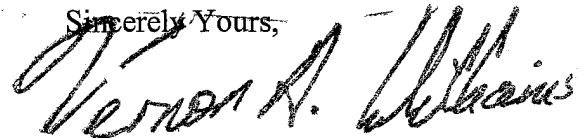
February 25, 1999

Richard L. Wilkinson
Vice President
Citizen & Northern Bank
P O Box 58
Wellsboro PA 16901

Dear Mr. Wilkinson:

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301 and
and 49 CFR 1177.3 (c), on February 25, 1999 at 11:05 AM, and assigned
recording number(s) 22042.

Sincerely Yours,

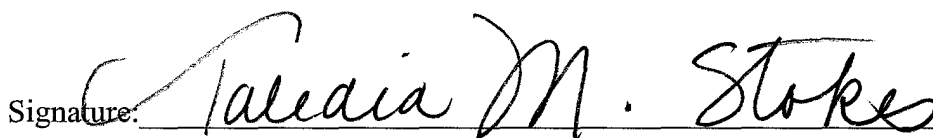


Vernon A. Williams
Secretary

Enclosure(s)

\$ 26.00 The amount indicated at the left has been received in payment of a fee
in connection with a document filed on the date shown. This receipt is issued for the amount
paid. In the event of an error or any questions concerning this fee, you will receive a
notification after the Surface Transportation Board has an opportunity to examine your
document.

Signature: _____



RECORDATION NO.

FILED

FEB 25 '99

11-05AM

SECURITY AGREEMENT

COPY

THIS SECURITY AGREEMENT, made this 22 day of ~~JANUARY~~ FEBRUARY 1999, by and between Tioga Central Railroad Incorporated, of Wellsboro, Pennsylvania, a Pennsylvania Corporation of Wellsboro, Pennsylvania, hereinafter referred to as "Debtor"; and Citizens & Northern Bank, with an office at Wellsboro, Tioga County, Pennsylvania, hereinafter called "Secured Party":

WHEREAS, the Debtor desires to grant to Secured Party and Secured Party desires to define its security interest and to obtain collateral as security for Debtor's present and future liabilities to Secured Party. The parties understand and agreed that the terms and provisions hereof shall reconfirm, as well as augment, supplement, and expand Secured Party's rights, security interest, privileges, and remedies as set forth in any Security Agreement previously executed by the Debtor and Secured Party.

WHEREAS, parties hereto agree that the security interests are granted in hereinafter described collateral to insure the performance by Debtor of all terms, conditions, and covenants under all agreements with Secured Party, as well as payment of any and all sums now heretofore and hereinafter owing to Secured Party by Debtor, whether or not evidenced by any note or other instruments and whether or not for the payment of money direct or indirect, absolute or contingent, due or to become due, now existing or hereinafter arising, as well as all liabilities under any other agreements with Secured Party now and in the future and including without limitation any debt, liability, or obligation owing from Debtor to others which Secured Party may have obtained by assignment or otherwise, and further including without limitation all interest, fees, charges, expenses, and attorneys fees chargeable to Debtor's account, whether provided for herein or in any other agreement with Secured Party.

NOW THEREFORE, intending to be legally bound hereby the parties hereto agree as follows:

1. The Debtor hereby gives and grants to the Secured Party, a security interest in and to the property described in paragraphs 1, 2, and 3 herein. Said property is collectively hereinafter sometimes referred to as the "Collateral":

CHECKING THE BOX BELOW CONSTITUTES THE INCLUSION OF THE COLLATERAL THEREIN DESCRIBED

☐ (A) **INVENTORY** - All inventory of every nature, supplies, stock-in-trade, all raw materials, work in process and all items of personal property, which are held for sale or furnished or are to be furnished under contracts of service or sale or lease, and all returned, reclaimed and repossessed goods, whether now in Debtor's possession or control or hereafter acquired by way of replacement, substitution, addition or otherwise.

X (B) **EQUIPMENT** - All equipment and machinery of every type, furniture, fixtures, boilers, electrical generators, office equipment, equipment supplies, labels, wrappers, containers, cartons, cases, packaging materials, goods, machinery, tools and trade fixtures, whether now owned by Debtor or hereafter acquired by way of replacement, substitution, addition, or otherwise, together with all parts and accessories now or hereafter attached to or added thereto, including but not limited to:

Railway rolling stock as more particularly described on Exhibit "A" attached hereto.

___ (C) **ACCOUNTS** - All existing and future accounts, accounts receivable, contract rights, chattel paper, notes, instruments, documents, contracts, chooses in action, returned and unearned insurance premiums, tax refunds and all obligations now or hereafter owing to Debtor, together with all interest of Debtor in goods, the sale or lease of which shall have given or may give rise to such accounts and contract rights.

___ (D) **FARM PRODUCTS** - All feed, feed ingredients, including but not limited to soybeans, corn, barley, wheat, soybean meal, soy oil and fish scraps now owned or to be acquired, and all livestock of every type, kind, weight, age, alive in gestation, killed or being processed, on hand, in storage, or in transit, now owned or hereafter acquired including but not limited to:

___ (E) **FIXTURES** - All property that would be a fixture under applicable State law including but not limited to the following: (List all equipment, machinery, storage facilities affixed to real estate, particularly harvester systems, bulk tanks, etc.)

___ (F) **INTANGIBLES** - All present and future general intangibles, including but not limited to customer lists, books, records, including without limitation, all correspondence and credit files, tapes, cards, computer runs, computer programs, and other papers and documents whether in the possession or control of Debtor or any computer service bureau, rights in franchises and sales contracts, patents, copyrights, trademarks, logos, trade names, label design, brand names, plans, blueprints, patterns, trade secrets, licenses, gigs, dies, molds, formulas, Broadcasting License.

✓ (G) **OTHER COLLATERAL** - Specify (include all motor vehicles, mobile homes, notes, stock, certificates of deposit, etc.)

SEE ATTACHED.

2. Debtor also grants to the Secured Party a security interest in and to all proceeds, increases, substitutions, replacements, additions, and accessions to the property described in paragraphs 1 and 2 herein. This provision shall not be construed to mean that the Debtor is authorized to sell, lease, or dispose of the collateral without the consent of the Secured Party.

3. In addition to paragraphs 1 and 2 herein, the Secured Party's security interest shall extend to all other property that the Debtor may now own, or later acquire, or in which the Debtor may have or acquire rights sufficient to support a security interest, during the course of this Agreement.

4. Debtor agrees that the security interest granted hereunder shall secure the performance by Debtor of all terms, conditions and covenants under (1) the Note date of even date herewith of Debtor, in the principal amount of Thirty-five Thousand Dollars (\$35,000.00); (2) all expenditures by the Secured Party for taxes, insurance, and repairs toward maintenance of the Collateral incurred by Secured Party in the collection and enforcement of the note and other indebtedness of the Debtor; and (3) all liabilities of the Debtor to Secured Party under any of the agreements whether now existing or incurred in the future, matured or unmatured, direct or contingent, and any renewals, extensions, and substitutions of those liabilities. Including without limitation all interest fees, charges, expenses, and attorney's fees chargeable to Debtor's account whether provided for herein or in any other agreement with Secured Party.

5. Debtor warrants, covenants and agrees as follows:

(A) Except for the security interest granted by this agreement, the Debtor is the sole owner of the Collateral and has full title to the Collateral free from any liens, security interests, encumbrance or claims and the Debtor agrees that during the term of this Agreement and all Agreements secured by it, the Debtor will keep the collateral free from any liens, security interest, encumbrances or claims.

(B) All warranties and representations made to the Secured Party in order to induce the extension of credit to the Debtor, whether made by the Debtor or by others on behalf of the Debtor, including agents, employees, sureties, guarantors, co-signers, and the like, and whether such representations are contained in this Agreement or in related materials such as financing statements, loan applications, supporting documentation, and guaranties, or in any financial instrument, such as a promissory note, executed in conjunction with this Agreement are true and correct and that the proceeds of the loan or loans secured hereby will be used solely for the purposes set forth in such loan application(s).

(C) Debtor will not, without the written consent of the Secured Party, sell, contract to sell, lease, encumber, or dispose of the Collateral or interest in it until the terms, conditions, and covenants under this Security Agreement and all agreements secured by it have been fully satisfied.

(D) Debtor will insure the Collateral with companies acceptable to the Secured Party against the casualties and in the amount that the Secured Party shall reasonably require with a loss payable clause in favor of the Debtor and Secured Party, as their interest may appear, and the Secured Party is authorized to collect sums that may become due under any of the instruments and policies and apply them to the obligations secured by this agreement.

(E) Debtor will keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part of it. The Debtor will not use the Collateral in violation of any statute or ordinance.

(F) Debtor will at all times during normal business hours, give to Secured Party or its agents full access to, and the right to audit, check, inspect and make abstracts and copies from Debtor's books, records, audits, correspondence and all other papers relating to the Collateral. Secured Party or its agents may enter upon any of Debtor's premises at any reasonable time during business hours and from time to time for the purpose of inspecting the collateral and any records pertaining thereto.

(G) The Collateral, as well as the Debtor's books and records, will be kept at the premises of Debtor set forth above, and the Debtor will promptly notify Secured Party of any changes in the location of the Collateral and Debtor will not remove the Collateral from that address without the Secured Party's written consent (except for motor vehicles and for inventory sold in ordinary business). Debtor will immediately notify Secured Party in writing of any addition to change in or discontinuance of its place of business.

(H) Debtor will execute all necessary financing statements and forms satisfactory to the Secured Party and any other documents including, but not limited to, waivers from landlords mortgagees required by Secured Party to perfect the security interest granted herein or to effectuate the purposes of this agreement.

(I) Debtor will timely pay when due all indebtedness secured hereby with interest, together with any rent, taxes, levies, assessments, or other claims which are or may become liens against said collateral.

(J) At the sole option of Secured Party, the Secured Party may discharge taxes, liens, interest, or perform or cause to perform for and on behalf of the Debtor, any actions or conditions, obligations, covenant, that the Debtor has failed or refused to perform and may pay for the repair, maintenance, and preservation of the collateral and all sums so expended, including but not limited to attorney's fees, court costs, agent's fees, or commissions or any other costs or expenses shall bear interest from the date of payment at the rate set forth in the Debtor's notes and shall be payable at the place designated in the Debtor's note shall be secured by this security agreement.

(K) The Debtor will timely and fully perform all terms, conditions, and covenants under this Agreement and all agreements secured by it.

EVENTS OF DEFAULT

6. It is agreed between the parties hereto that the following events shall constitute a default under this Agreement:

(A) Any failure by Debtor to observe or to fully perform in a timely manner any condition, covenant, or undertaking under this Security Agreement, or any agreement secured by it including but not limited to any note, agreement, assignment, security agreement, mortgage, or related agreement or document between the parties hereto, whether previously executed or executed in the future:

(B) Any warranty or representation made to the Secured Party in order to induce the extension of credit to the Debtor, whether made by the Debtor or by others on behalf of the Debtor, including agents, employees, sureties, guarantors, co-signers, and the like, and whether such representations are contained in this Agreement or in related materials such as financial statements, loan applications, supporting documentation, and guaranties, or in any financial instrument, such as a promissory note, executed in conjunction with this Agreement is incorrect in any material respect;

(C) If there is any material loss, theft, deterioration or decline in the value of the Collateral which is not covered by insurance;

(D) Seizure, attachment or levy on any property of the Debtor, whether or not such property is covered by this Agreement, shall operate as a default under this Agreement;

(E) It shall operate as a default under this Agreement if for any reason:

1. The Debtor becomes insolvent;
2. The Debtor becomes subject to any proceeding under the bankruptcy or insolvency laws, including an assignment for the benefit of creditors; or
3. The Debtor has his property placed under the custody of a receiver or trustee;

(F) Death, dissolution, or any other termination of the business or existence of the Debtor or any forfeiture of his right to do business as well as any merger, consolidation, or the like with another, shall operate as a default under this Agreement.

RIGHTS AND REMEDIES ON DEFAULT

Upon the occurrence of any of the foregoing Events of default, Secured Party shall have the option to declare all indebtedness or obligations of Debtor under this Security Agreement and any other agreement, note or undertaking by Debtor, including, without limitation, all liabilities under any agreements assigned to Secured Party, with recourse, together with interest thereon, to become immediately due and payable without further notice or demand by Secured Party. Notwithstanding anything to the contrary herein contained, Secured Party reserves the right to demand payment in full of any obligation of Debtor payable on demand without occurrence of any of the foregoing Events of Default. Whereupon, in addition to all the rights that Secured Party may have under the Uniform Commercial Code or any other law, Secured Party shall also have the following rights and remedies:

(A) To the extent permitted by law the right to take possession of the Collateral with or without judicial process,

(B) If permitted by law, the right to immediate judgment in replevin against Debtor and a Writ of Possession for the Collateral, for which purpose Debtor hereby authorizes the Clerk, Prothonotary or any Attorney of any Court of Record to appear for and confess judgment against Debtor in favor of Secured Party or its assigns in any action of replevin or for Writ of Possession, for which this Agreement or a verified copy shall be sufficient warrant. An affidavit setting forth the facts necessary to authorize the entry of such judgment shall be conclusive evidence of such facts. The authority to confess judgment hereunder shall not be exhausted by one exercise hereof, but judgments may be confessed from time to time as often as may be necessary and Debtor hereby agrees that if a true copy of this agreement verified by affidavit is filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney any rule of court, custom, or practice to the contrary notwithstanding.

(C) Secured Party may peaceably by its own means or with judicial assistance enter Debtor's premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on Debtor's premises without any liability for rent, storage, utilities, or other sums, and Debtor shall not resist or interfere with such action.

(D) Secured Party may require Debtor to assemble all or any part of the Collateral and make it available to Secured Party at any place to be designated by secured Party which is reasonably convenient to Debtor and Secured Party,

(E) Debtor hereby agrees that a notice sent to it at least five (5) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sales or other disposition, provided, however, that to the extent inventory is perishable Debtor agrees that twenty-four (24) hours prior written notice (including telegraph or similar communication) shall be deemed to be reasonable notice of sale or disposition of such perishable inventory, and,

(F) If permitted by law, Secured Party shall also have the right to apply for and have a receiver, custodian, or similar fiduciary appointed by the court of competent jurisdiction in order to manage, protect and preserve the Collateral and continue the operation of Debtor's business and to collect all revenues and profits thereof and apply the same to the payment of all expenses and other charges of such receivership, including the compensation of the receiver, and to the payment of Debtor's liabilities and indebtedness accrued thereby,

(G) If Debtor defaults in or fails to perform any covenant, warranty, or representation within this Security Agreement, Secured party may, at its option, make payments or incur expenses to relieve the effect of the default or restore the performance, provided however, that Secured Party shall be under no obligation to do so, and further provided, that any such action by the Secured Party shall not constitute a waiver of the Debtor's default. Any payment made or expense incurred by Secured Party in relieving the effect of any default or restoring any performance shall be liability secured by the Collateral and shall constitute part of Debtor's liability and obligations to Secured Party together with interest thereon at the highest rate set forth in any agreement or note from Debtor to Secured Party,

(H) Debtor shall reimburse Secured Party for all costs, expenses, charges, and reasonable attorney's fees incurred by Secured Party to enforce the provisions of this Security Agreement or collect any present or future liability or obligation owing by Debtor to Secured Party, together with interest thereon at the highest rate set forth in any agreement or note from Debtor to Secured Party.

WAIVER OF RIGHTS

(A) All rights and remedies of the Secured Party as provided in this Agreement, or as found in any promissory note or other instrument executed in connection with this Agreement, or arising by operation of law, shall continue in full force and effect during the full course of this Agreement and any other agreements secured thereunder.

(B) Forbearance, failure, or delay on the part of the Secured Party in the exercise of any such right or remedy shall not constitute a waiver of that right or remedy.

(C) The exercise or partial exercise of any right or remedy shall not preclude the further exercise of such right or remedy.

CHOICE OF LAW

This Agreement shall be governed by, and interpreted in accordance with, the law of the Commonwealth of Pennsylvania in all save perfection of the security interest as required by Section 9-103 of the Uniform Commercial Code.

Executed the day and date set forth above.

TIOGA CENTRAL RAILROAD INCORPORATED

Attest:

Luis A. Neim

By:

Richard C. Stone
President

Attest:

[Signature]

CITIZENS & NORTHERN BANK

By:

[Signature]

agree\security

TIOGA CENTRAL RAILROAD, INC.

EQUIPMENT ROSTER

NUMBER

DESCRIPTION

LOCOMOTIVES:

14	S-2 ALCO DIESEL ELECTRIC SERIAL #73924
47	RS-1 ALCO DIESEL ELECTRIC SERIAL #74315
62	RS-1 ALCO DIESEL ELECTRIC SERIAL #77474
240	RS-1 ALCO DIESEL ELECTRIC SERIAL #73569
506	RS-3 ALCO DIESEL ELECTRIC

PASSENGER CARS:

54	OBSERVATION COACH
212	PASSENGER COACH
233	PASSENGER COACH
263	PASSENGER COACH
285	PASSENGER COACH
300	OPEN AIR COACH
370	DINER WITH KITCHEN
372	DINER
454	BAGGAGE/GENERATOR
500	OBSERVATION LOUNGE

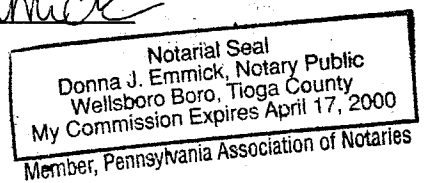
COMMONWEALTH OF PENNSYLVANIA

COUNTY OF TIOGA

ON THIS FEBRUARY 22, 1999, BEFORE ME, A NOTARY PUBLIC, THE UNDERSIGNED OFFICER, PERSONALLY APPEARED RICHARD L STOVING, WHO ACKNOWLEDGED HIMSELF TO BE THE PRESIDENT OF THE TIOGA CENTRAL RAILROAD COMPANY INCORPORATED, AND THAT HE AS SUCH PRESIDENT BEING AUTHORIZED TO DO SO, EXECUTED THE FOREGOING INSTRUMENT ON BEHALF OF THE TIOGA CENTRAL RAILROAD COMPANY INCORPORATED.

IN WITNESS WHEREOF, I HEREUNTO SET MY HAND AND OFFICIAL SEAL.

Donna J. Emmick
NOTARY PUBLIC



COMMONWEALTH OF PENNSYLVANIA

COUNTY OF TIOGA

ON THIS 22ND DAY OF FEBRUARY, 1999, BEFORE ME A NOTARY PUBLIC, THE UNDERSIGNED OFFICER, PERSONALLY APPEARED RICHARD L WILKINSON, WHO ACKNOWLEDGED HIMSELF TO BE THE VICE PRESIDENT OF CITIZENS & NORTHERN BANK AND THAT HE AS SUCH VICE PRESIDENT BEING AUTHORIZED TO DO SO, EXECUTED THE FOREGOING INSTRUMENT ON BEHALF OF CITIZENS & NORTHERN.

IN WITNESS WHEREOF, I HEREUNTO SET MY HAND AND OFFICIAL SEAL.

Donna J. Emmick
NOTARY PUBLIC

